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FOR IMMEDIATE RELEASE

Press Release

Milliman analysis: Corporate pension funding plummets by \$65 billion in May

May's declining discount rates and falling equity markets result in 2019 funding setback

Milliman 100 PFI funded ratio drops to 87.9%

SEATTLE – JUNE 12, 2019 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its latest Pension Funding Index (PFI), which analyzes the 100 largest U.S. corporate pension plans. In May, these pensions experienced a \$65 billion decrease in funded status, a precipitous drop that resulted from poor investment returns and a decrease in the benchmark corporate bond interest rates used to value pension liabilities. May saw a negative 0.74% investment return, resulting in a \$15 billion decrease to the market value of assets for PFI plans. Discount rates also dropped in May, declining 24 basis points from 3.85% at the end of April to 3.61% as of May 31. Pension liabilities grew by \$50 billion as a result. The funding ratio of the Milliman 100 PFI during May plummeted from 91.4% down to 87.9%.

“May was a dismal month for corporate pensions, hitting plans with a double-whammy of poor equity returns and declining discount rates,” said Zorast Wadia, co-author of the Milliman 100 PFI. “In fact, May’s heavy losses bring pension funding lower than where it was at the start of 2019, and mark the third largest monthly funding decline in the past five years. Only January 2015 (at \$97 billion) and December 2018 (at \$70 billion) had worse outcomes.”

Looking forward, under an optimistic forecast with rising interest rates (reaching 3.96% by the end of 2019 and 4.56% by the end of 2020) and asset gains (10.6% annual returns), the funded ratio would climb to 96% by the end of 2019 and 111% by the end of 2020. Under a pessimistic forecast (3.26% discount rate at the end of 2019 and 2.66% by the end of 2020 and 2.6% annual returns), the funded ratio would decline to 84% by the end of 2019 and 77% by the end of 2020.

To view the complete Pension Funding Index, go to <http://us.milliman.com/PFI>. To see the 2019 Milliman Pension Funding Study, go to <http://us.milliman.com/PFS/>. To receive regular updates of Milliman’s pension funding analysis, contact us at pensionfunding@milliman.com.

About Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit milliman.com.



About the Milliman Pension Funding Study

For the past 19 years, Milliman has conducted an annual study of the 100 largest defined benefit pension plans sponsored by U.S. public companies. The results of the Milliman 2019 Pension Funding Study are based on the pension plan accounting information disclosed in the footnotes to the companies' annual reports for the 2018 fiscal year and for previous fiscal years. These figures represent the GAAP accounting information that public companies are required to report under Financial Accounting Standards Board Accounting Standards Codification Subtopics 715-20, 715-30, and 715-60. In addition to providing the financial information on the funded status of their U.S. qualified pension plans, the footnotes may also include figures for the companies' nonqualified and foreign plans, both of which are often unfunded or subject to different funding standards from those for U.S. qualified pension plans. The information, data, and footnotes do not represent the funded status of the companies' U.S. qualified pension plans under ERISA.

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